



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 3/2/2004

GAIN Report Number: MX4030

Mexico

Agricultural Situation

Weekly Highlights & Hot Bites, Issue #9

2004

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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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U.S. POULTRY AND POULTRY PRODUCTS BANNED DUE TO AVIAN INFLUENZA

The Government of Mexico (GOM) closed its border to all poultry and poultry product imports from the United States due to the high path avian influenza findings in the state of Texas. The GOM indicated that the lifting of the ban would depend on the U.S. industry's implementation of sanitary measures. The GOM has indicated that the ban does not affect poultry supply problems in the domestic market since total consumption of eggs is produced domestically, and more than 90 percent of chicken consumption is supplied by domestic production. Although the government has indicated that there are no reasons for poultry price increases, there are reports that retail prices have been increasing. Although most poultry imports come from the United States, poultry imports represent 7 to 10 percent of total consumption. However, the cold cuts industry, which imports poultry cuts and mechanically deboned meat for further processing, declared that they have approximately 10-days supply of inputs and there would soon be a shortage of cold cuts in Mexico as approximately 60 percent of cold cuts are produced with poultry and turkey meat. The industry is pressing the GOM to allow the imports of poultry for further processing as soon as possible. Poultry for further processing represents more than 150,000 MT of imports annually. (Source: *Financiero, Reforma, and Economista*, 2/25/04, *Financiero* and *Reforma*, 2/27/04)

MEXICO IS CONSIDERING OPENING THE BORDER TO BEEF AND POULTRY MEAT IMPORTS

Javier Trujillo, Director in Chief of the National Health Service, Food Safety and Agricultural Quality, indicated that in a couple of weeks Mexico will open its borders to imported beef meat, chicken meat, and live poultry. He added that, in the future, certification conditions would be different from those in December 2003. Trujillo indicated that the package of mitigating measures between Mexico and the United States for fresh beef meat and live birds is not finalized, and there is a possibility that during this week they can mutually find the requirements to mitigate the risks to open trade. With respect to poultry trade, Trujillo said that the evaluation to reactivate commerce would be done either state by state or regionally. Initially, Texas would be excluded because the avian influenza found there is considered of high risk to Mexico. (Source: *La Jornada, El Financiero, and El Universal*, 3/02/04)

SENATOR JOHN KERRY MAKES KNOWN HIS OPPOSITION TO NAFTA

Democrat Senator John Kerry, who voted for NAFTA in 1993, has taken the position that, if elected, one of his first orders of business would be to review existing trade agreements and

determine what renegotiation might be sought. Moreover, he has extended this position to other potential trade agreements, such as the FTAA, and has made it a centerpiece in his campaign to win the Democratic nomination for president. (Source: *El Universal*, 2/28/04)

KRAFT BEATING THE WAR DRUMS AGAINST THE IEPS TAX

Kraft Food of Mexico hopes to repeat its 2003 success against the Government of Mexico's IEPS tax of 20 percent on food products containing sweeteners other than sugar. Since 1997, the IEPS tax of 20 percent has been applied to all non-sugar sweeteners, aimed particularly at high fructose corn syrup, as a means to protect Mexico's sugar industry. Kraft succeeded in getting its drink powders exempted from the IEPS tax in 2003 by claiming it was unconstitutional and inequitable, and hopes to repeat that success in 2004. (Source: *El Financiero*, 2/23/04)

UNION OF CONCERNED SCIENTISTS FOUND TRANSGENIC CONTAMINATES IN GRAINS

On Monday, February 23, 2004, a public interest group in Washington, D.C., said seeds that are supposed to be free of genetic engineering routinely contain biotechnology traits. The group, the Union of Concerned Scientists (UCS), said it had detected tiny quantities of genetically modified seeds in most of the bags of unmodified corn, soybean and canola seeds it tested. UCS bought six varieties each of corn, soybean and canola seeds and sent samples to two commercial laboratories for testing. One laboratory detected genetically engineered seeds in three of six varieties of the corn and soy samples and some in all six canola varieties. The other laboratory found genetically engineered traits in five of the six varieties of each crop. The genetically modified seeds were found in low levels, ranging from 0.05 percent to 1 percent. The traits detected were ones such as herbicide tolerance and insect resistance which are traits used in genetically engineered crops that are widely grown. If seeds do contain the traits, the group said, it would be virtually impossible for farmers to grow crops that are completely free of genetic modification. That could mean disruption of U.S. crop exports to countries that do not allow genetically engineered foods. It also makes it harder for organic farmers to supply customers who will not accept even tiny degrees of genetic engineering. "The door to seed contamination is wide open," said Margaret Mellon, Director of the Food and Environment Program at UCS, who added that her group's study was the first to systematically look at the issue. In a conference call with reporters, she said the genetically engineered seeds might have come from a mixing of seeds by farmers or seed companies or from pollination of seed crops by genetically engineered crops. (Source: *Excelsior*, 2/24/04)

INFLATION UP IN JANUARY 2004

The Consumer Price Index for Mexico for was up 5.02 percent in January 2004, compared to the same month in 2003. This increase is above that of the average inflation increase for the month of January of 4.2 percent. Mexican economists fear that the higher-than-average January 2004 inflation rate is a harbinger for higher overall inflation in the first quarter of 2004. One of the effects of increased inflation is a larger percentage of average household income going towards food purchases (from 29.9 to 33.8 percent), which would, in turn, decrease disposable income for other purchases. (Source: *El Financiero*, 2/23/04)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

Number	Title	Date
MX4028	Weekly Highlights & Hot Bites Issue #8	2/24/04
MX4029	Proposal to Harmonize MFN Tariffs & Liberalization of	2/24/04

	Rules of Origin Under NAFTA	
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